



USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Template Version 2.08

Voluntary Report - public distribution

Date: 6/16/2004

GAIN Report Number: RO4013

Romania

Trade Policy Monitoring

Accession Talks on Agriculture Completed 2004

Approved by:

Brian Goggin
U.S. Embassy Bucharest

Prepared by:

Cristina Cionga

Report Highlights:

The most sensitive chapter in Romania's negotiations with the European Union, Chapter 7 – Agriculture, has been provisionally closed on June 4 in Brussels. (The outcome will be officially presented at the June 17-18 EU Summit). The EU position, as described in the documents of the Romania-EU Accession Conference, can be generally assessed as a success for the GOR, since good results were obtained in five strategic areas: rural development, grain and feed crops, cattle breeding, wine and wine industry, and food processing (especially sugar and dairy production). Romania also received long transitional periods in the sanitary-veterinary and phyto-sanitary sectors until the full adoption of the *acquis*, while also obtaining recognition and protection for several geographic and origin brands. These favorable terms are not as much the result of the talks held by the GOR negotiators with the European Council, as they can be attributed to the fact that Romania benefited from the principle that it was to be applied a treatment consistent with measures provided for the ten new Member States.

Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled Report
Sofia [BU1]
[RO]

Budgetary Allocations

Romania obtained a financial package totaling over 4 billion EUR for 2007-2009, as compared to 500 million EUR, the FY04 agricultural budgetary outlays. These funds will be split between rural development (2.3 billion EUR) and direct payments and market support (1.6 billion EUR). In accordance with the Union's approach for the ten new Member States, direct payments should be gradually introduced over a period of ten years with the following schedule of increments expressed as a percentage of the then applicable level of such payments in the EU-15 (2007 – 25%, 2008 – 30%, 2009 – 35%, 2010 – 40%) and thereafter in 10% increments so as to reach the support level then applicable in the EU-15. Additionally, structural funds of 800 million EUR will be available after accession for projects to be financed from the European Agriculture Guarantee and Guidance Fund. Most importantly for Romania, the new Common Agricultural Policy provides that production quotas will be phased out by 2013 while funding for rural development very much favored at the expense of direct payments.

Quotas, other terms and provisions

Agreed quotas exceed current domestic production and pose no problem in the future for what can be considered realistic growth. This applies to most products under negotiation, but is especially true in the case of milk and sugar. Currently, Romania reportedly produces about 5.5 million tons of milk (of which some 350,000 tons is sheep and goat milk), but the processing plants absorb only 22-24 percent. The 3.3 million ton-quota the country obtained (to which a "Reserve" quota might add in 2009 in order to count for current on-farm consumption) reflects Romania's potential to improve milk collection, cold storage and processing facilities. Like Slovenia, Romania is in the privileged situation to have received a sugar-processing quota of 329,000 tons, together with a 109,000-ton production quota, allowance that takes into consideration the existing sugar refining capacity. This fully covers the domestic consumption, including its expected growth to levels comparable to the EU-average.

Referring to food safety, EU stressed the importance of the accession preparations considering all aspects of the food production chain, including primary production, the production of animal feed and consumer safety. Romania was granted a transition period until December 31, 2009 for modernizing and re-vamping 28 slaughtering and meat processing units, in compliance with the Community requirements, while products from establishments subject to transitional arrangements will not be sold to other Member States and will be clearly identified. Similarly, EU accepted Romania's request for a transitional period for the 28 milk processing establishments, linked to the deadlines for correcting existing shortcomings by 31 December 2009. Transitional periods up to December 31, 2008, respectively 31 December 2009 were accepted for phasing out the use of plant protection products, currently homologated in Romania but not in the EU.

For the wine sector, Romania was granted a transition period ending 31 December 2014 for removing the prohibited hybrid varieties, cultivated on an area of 30,000 hectares, and for replanting with vine varieties included in the accepted grapevine, with the recognition of these replanting rights. The EU accepted Romania's request to have recognized a number of domestically produced and designated by geographical indications: 18 traditional spirit drinks, different milk based products, salami and sausages, pies, bread, jams.

Provided that Romania accepts these terms and conditions, the agricultural chapter does not require further negotiation. The position document also notes that monitoring of progress in the alignment with and implementation of the *acquis* will continue throughout the negotiations.

The GOR's assessment of the results negotiated for agriculture is that they will enable Romania to develop in certain strategic directions, easing gaps between rural and urban areas.